

**CERTIFICATE FOR RESOLUTION**

THE STATE OF TEXAS §

COUNTY OF HARRIS §

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY §

I, the undersigned Secretary of the Board of Directors (the "Board") of North Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board convened in regular session, open to the public, on the 8<sup>th</sup> day of January, 2018, at the regular meeting place thereof, and the roll was called of the members of the Board, to-wit:

Alan J. Rendl	President
Kelly P. Fessler	Vice President
Lenox A. Sigler	Secretary
Ron Graham	Assistant Secretary
Jim Pulliam	Treasurer/Investment Officer

All members of the Board were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting:

**RESOLUTION ADOPTING  
SECOND AMENDED ALTERNATIVE WATER USE INCENTIVE PROGRAM**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: 5 NOES: 0

2. A true, full, and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Resolution has been duly recorded in said Board's minutes of such meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place, and purpose of such meeting and that such Resolution would be introduced and considered for adoption at such meeting and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; such meeting was open to the public, as required by law, and public notice of the time, place and purpose of such meeting was given as required by Chapter 551, Texas Government Code, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED the 8th day of January, 2018.

*Lenny A Sigler*

Secretary, Board of Directors



**RESOLUTION ADOPTING  
SECOND AMENDED ALTERNATIVE WATER USE INCENTIVE PROGRAM**

WHEREAS, the North Harris County Regional Water Authority (the "Authority") is a regional water authority created pursuant to House Bill 2965 of the 76<sup>th</sup> Legislature, as amended (the "Act"), and Article XVI, Section 59 of the Texas Constitution; and

WHEREAS, the Authority was created to, among other things, accomplish the purposes of Article XVI, Section 59 of the Texas Constitution, including the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions; and

WHEREAS, the Act provides that the Authority may establish fees, rates and charges and classifications of fee and rate payers, as necessary, to enable the Authority to fulfill the Authority's purposes and regulatory obligations and such fee, rates and charges must be sufficient to achieve water conservation, prevent waste of water, serve as a disincentive to pumping groundwater, and accomplish the purposes of the Act, including making available alternative water supplies, and to enable the Authority to meet operation and maintenance expenses and pay the principal of and interest on debt issued in connection with the exercise of the Authority's general powers and duties; and

WHEREAS, the Act authorizes the Authority to specify the rates, terms and conditions under which sources of water other than groundwater will be provided by the Authority, which may be changed from time to time as deemed necessary by the Authority, and to enter into contracts with persons, including political subdivisions of the state, on terms and conditions the Authority considers desirable, fair and advantageous for the performance of its rights, power, and authority under the Act and requires the Authority to adopt and enforce rules reasonably required to implement the Act; and

WHEREAS, the Authority has established the Cost of Water, as such term is defined in the Authority's Rate Order pursuant to Section 4.03 of the Act, whereby it charges ratepayers an amount of money per 1,000 gallons for (i) groundwater produced by certain wells located within the Authority's boundaries, (ii) water produced outside and imported into the Authority's boundaries, and (iii) water received from the Authority (collectively, the "Authority Fees"); and

WHEREAS, the Authority has determined that encouraging the metered use of an Alternative Water Supply, as such term is defined in the Harris-Galveston Subsidence District's (the "HGSD") then-current Regulatory Plan, other than such water supplied by the Authority, such as wastewater treatment plant effluent, captured stormwater, desalinated water, etc., ("Alternative Water Use") by adopting this Second Amended Alternative Water Use Incentive Program (the "Program") set forth in this Resolution is beneficial and necessary to cause the reduction of groundwater withdrawals and the conservation, preservation, protection, and recharge of groundwater reservoirs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

Section 1. The recitals and facts set forth above are hereby found to be true and correct and are incorporated by reference as though fully set forth herein.

Section 2. The Authority may enter into a written contract ("Contract") with the owner of a source of alternative water ("Owner") and/or a person engaging in Alternative Water Use ("Purchaser") to provide, among other terms, that:

- (i) The Authority will issue credits against Authority Fees otherwise owed to the Authority ("Alternative Water Use Credits") to the Owner and/or Purchaser (collectively, the "Parties") in the amount of \$25,000 or 10% of the capital cost of an Alternative Water Use system (a "System"), whichever is greater, upon the occurrence of all of the following events:
  - a. the Authority and the Parties execute a Contract;
  - b. the Authority reviews and approves the System's capital cost, including engineering fees, construction cost and, in the event the recipient of the Alternative Water Use Credits is a governmental entity that has incurred debt to financing the System, interest cost (collectively, the "Capital Cost") based on certification of same provided to the Authority by the Parties; and
  - c. the Authority receives certification from the Parties that the System is complete and operating.

Thereafter, the Authority will issue Alternative Water Use Credits for metered Alternative Water Use at a rate equal to one-half (1/2) of the rate then being charged by the Authority for "Water pumped from a Non-Exempt Well," as defined in the Authority's then-current Pricing Policy;

- (ii) The total Alternative Water Use Credits issued in relation to a particular System may not exceed the Capital Cost of that System;
- (iii) The Authority will apportion the award of Alternative Water Use Credits among the Parties according to the Contract, if all Parties are parties to the Contract, or instructions agreed upon and provided to the Authority by the Parties. Alternative Water Use Credits shall be applied against Authority Fees after the Authority has applied any and all other credits for which a Party may be eligible (e.g., chloramination credits). In the event the total amount of credits to be issued to a Party during any period exceed the Authority Fees owed for that period, such unused credits shall apply to subsequent periods until either the full amount of Alternative Water Use Credits issued have been applied or the 20<sup>th</sup> anniversary of the Contract, whichever occurs first;

- (iv) The Parties shall operate and maintain the System in a manner such that Alternative Water Use in the System complies with the definition of Alternative Water Supply, as defined by the HGSD, for 20 years from the date on which the Authority first (1<sup>st</sup>) issues Alternative Water Use Credits for such System. In the event the System does not operate as such for 20 years, each Party shall pay to the Authority an amount equal to:

$A - (B \times (A/20))$ , where

A = the Capital Cost approved by the Authority; and

B = the number of years the Parties operated the System in accordance with this subsection.

- (v) All Harris-Galveston Subsidence District groundwater credits associated with the System, whether issued before or after the existence of the Contract, shall be transferred to the Authority for the benefit of the Authority's Groundwater Reduction Plan; and
- (vi) Such other terms the Authority deems necessary or convenient to the implementation of this Program, including without limitation, provisions related to parameters for acceptable meters and the maintenance, reading and certification thereof.

Section 3. Notwithstanding any provision hereof, the Authority reserves the right to: (i) refrain from entering into a Contract for any reason whatsoever; (ii) include any terms or provisions in a Contract that are mutually acceptable to a Party and the Authority; and (iii) modify or terminate this Program at any time, except that a Contract executed by a Party and the Authority will not be modified or terminated without the mutual agreement of all parties thereto.

Section 4. The Authority's General Manager, or his designee, (the "General Manager") shall perform such other duties as necessary to implement the intent of this Program, including without limitation, more specifically defining the requirements related to the certification required under Section 2(i)(b) hereof, reviewing and approving all such certifications to ensure that the Authority receives all information the General Manager deems necessary to implement this Program, and requiring additional information or documentation not otherwise referenced herein.

Section 5. This Resolution Adopting Second Amended Alternative Water Use Incentive Program shall be effective on February 1, 2018 and upon such date all resolutions adopting any predecessor program, including the Resolution Adopting Water Conservation Reuse Incentive Program, dated April 6, 2009, and the Resolution Adopting Amended Effluent Reuse and Other Alternative Water Use Program, dated November 4, 2013, shall be void.

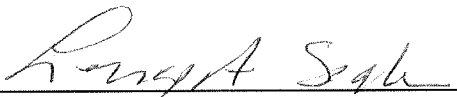
[signature page follows]

PASSED AND APPROVED this 8th day of January, 2018.

NORTH HARRIS COUNTY REGIONAL WATER  
AUTHORITY

By:   
President, Board of Directors

ATTEST:

By:   
Secretary, Board of Directors

